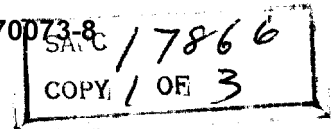


SECRET

24 July 1957



MEMORANDUM TO : Mr. D. M. Kelly

Procurement of material through CIA follows closely the pattern employed under Navy procedure except for the time factor. In similar procurements the Navy determines the source highest qualified from a technical standpoint to perform the research and development work. Cost type contracts are employed for the R&D phase, and the R&D phase is placed with the firm having the highest technical competence.

First production of a developed item is generally contracted for with the developer. This is done under authority of Title 10 USC, Section 2304(a) (14) or section 2304 (a)(10). The first cited authority generally being employed. Such action requires the personal signature of the Assistant Secretary of the Navy (Material) and is supported with facts supplied by the Contracting Officer upon which the Secretary makes his determination.

A second source or alternate source is considered when mobilization requirements dictate, where technical data is available to procure by competitive methods, and where there is duplication of time and cost by contracting insignificant with an alternate source.

Title 10 USC Section 2304(a)(12) also allows procurement by negotiation for classified material. Secretarial approval is required for use of such authority.

Second, third and fourth follow on procurements are handled in a similar manner when supporting facts justify such action.

The approval chain in the Navy is slow and requires much written justification to support the action contemplated. Further a large number of persons, even in classified procurements, are in the review chain which tend to slow the process.

CIA procurement provide reduction of time before contracting, protect dissemination of classified technical data to large numbers of persons whose only interest is in contract review, and with the monitoring function now employed produces end products with the same result as the more widely publicized and slower Navy procurement process.

R. A. HELSEL
Cdr SC USN
Contracting Officer
Bureau of Aeronautics

NAVY review(s) completed.

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